

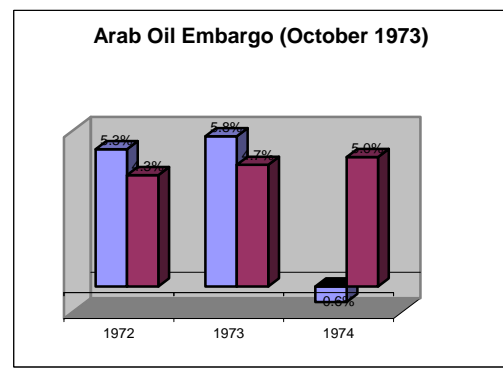
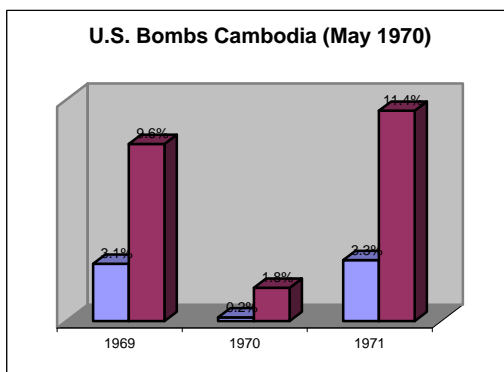
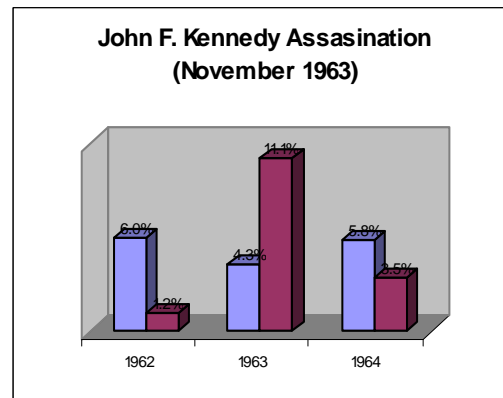
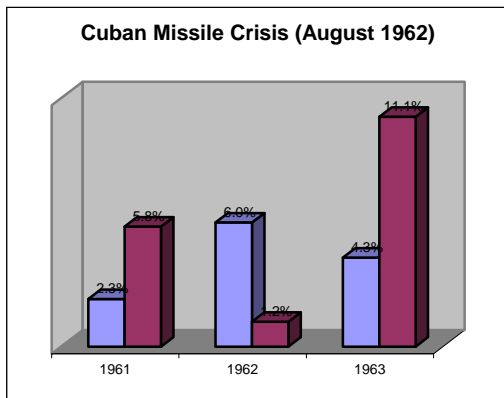
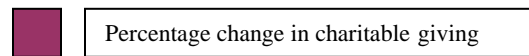
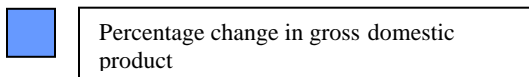
# Raising Funds in a Soft Economy

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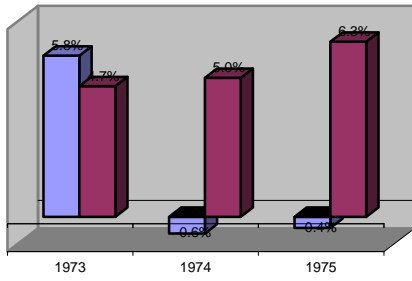
It's happened before. And it will happen again. There may be little comfort in knowing that in these tough economic times, what goes up comes down and goes back up again.

Although the financial markets have hit a downturn, charitable giving *always* rebounds in the United States. For the past 40 years of wars, recessions and other crises, the total dollar amount in charitable giving has increased every year *except* one, 1987. (In 1987, a tax law change prompted many people to “give early.”) Additionally, following the year of an “event,” rates of giving have typically grown at a larger rate than the year of the event itself—as illustrated in the following chart.

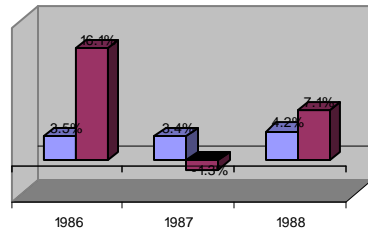
## How Charitable Giving Fared During Crises throughout U.S. History



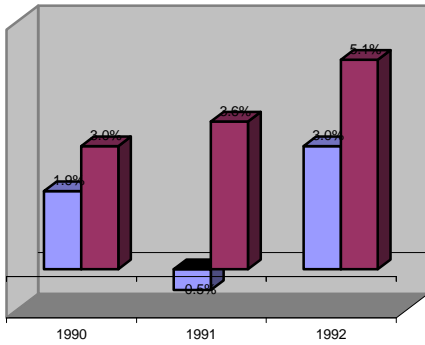
**Nixon Resigns (August 1974)**



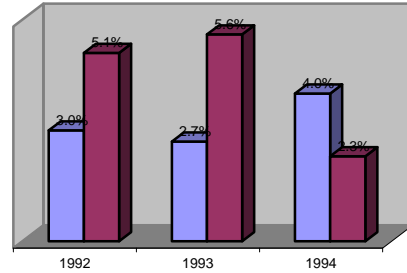
**Stock Market Collapse (October 1987)**



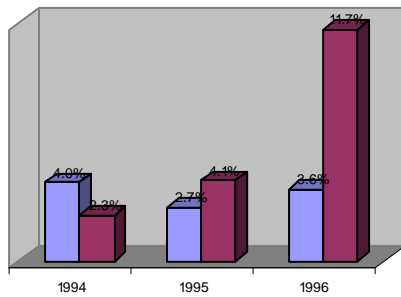
**Gulf War Ultimatum (January 1991)**



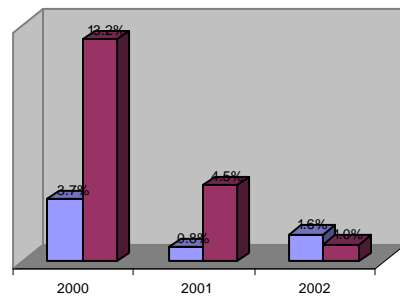
**World Trade Center Bombing (February 1993)**



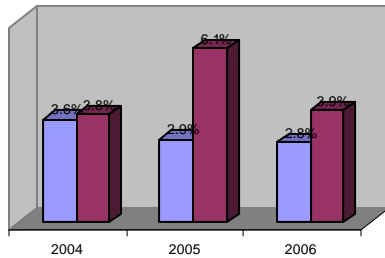
**Oklahoma City Bombing (April 1995)**



**9/11 (September 2001)**



**Hurricane Katrina (August 2005)**



**Sources**

Association of Fundraising Professionals (AFP)/*Advancing Philanthropy*

U.S. Bureau of Economic Analysis (BEA)

AAFRC Trust for Philanthropy/*Giving USA*

Even though the September 11<sup>th</sup> Fund and the Liberty Fund at the American Red Cross stopped accepting new pledges or donations in late 2001, gifts still continued to arrive throughout 2002, resulting in an overall increase of one percent in total giving. And as seen more recently with Hurricane Katrina, nearly two-thirds of charities in the U.S. and Canada successfully raised more funds in 2005 than in 2004. You could say that tragedies end up bringing out the best in people.

For more than 400 years, supporting others is what Americans do. The earliest settlers thought it virtuous to develop wealth, but a sin to die rich. Cotton Mather, New England puritan, said men and women should engage and enlist the support of others. Philosopher-historian Alexis de Tocqueville encouraged the development of associations in America.

Philanthropy may not be so much an issue of economic circumstances but our connectedness with others; in the Great Depression, per capita income fell but giving stayed the same. Real contact is made when people reach out and touch others. Others give meaning to our lives. People give to people—and therefore people depend on us as fundraisers to help them give!

The daily news and consumer concerns about the cost of food, medical care and fuel find some people fearing economic catastrophe. Because charitable contributions are not at the top of everyone's lists poses a *slightly* intimidating threat for the future of fundraising. While it might follow suit how a fall in the stock market would signal a downturn in overall philanthropy, a surprising trend paving the way for fundraising says otherwise:

- Philanthropy appears to weather storms in the stock market with great resiliency and less dramatic fluctuation.
- Even when the economy shows signs of stress, whether it be a recession or not, giving still grows—albeit at a slower rate, it still grows.

For the most part, people spent more money at the end of a recession than they did at the beginning of it, proving the very strength and resilience of Americans, and, thus, philanthropy, seen especially during rough and tumble economic times. Simply put, the economy is cyclical in nature, where either slow-growth, or dare we even say no-growth, will inevitably be followed by the “little” thing we like to call **growth**.

Giving has historically tracked the health of the overall economy. Since World War II, the U.S. has experienced 10 recessions, each lasting for about a year. With 2008's economy, we can officially bring this number up to 11. Even though it is obviously hard to deny the great motivation, ability and confidence a strong, thriving stock market and economy provides donors, it cannot necessarily be assumed that the opposite holds true for times of economic struggle.

Turning the heat off the stock market even more so in regard to philanthropy is a 2006 Association of Fundraising Professionals (AFP) study of the various changes observed among donors and giving<sup>1</sup>. Take 2005 for instance, where there was a 47.4 percent fall in donor population for the year and an overall five-year donor population decline of about 1.4 percent. What happened to donor retention? Just think what the potential effects on the overall annual dollars raised by a charity would be if it were to lose the very heart and soul that it is their organization.

This is about learning how to best control what you can't control. With the various financial hits our economy has taken in 2008, it will be important to remain calm and not to panic. The fact that charities have already survived economic struggles such as these, particularly that of September 11<sup>th</sup>, only further exemplifies the need to go back to the basics, make no drastic changes, focus on need and cultivate donor relationships.

Get in the ready position. Just like in tennis, we're advising our clients to take the ready position. You've got to be on your toes, racket in front ready for that ball to come over the net. The economy, just like the tennis ball, will come back over the net—so will you be ready?

Compared to the economy, charities actually have more control over their fortunes than they think they do. We know of one client whose original \$13 million project actually came in at only \$8.5 million because of lower prices for raw materials and more competitive labor bidding.

Therefore, no matter what the market does, remember that giving is a personal thing. Ultimately people give to people. Even when the going gets rough, people want to give—especially to human services and health organizations that help other people. Therefore, at the very least, remain calm, focus on the fundamentals of fundraising and think long-term success. Establishing a good relationship with current and potential donors will only help to ensure survival in the long run. The resilience of consumers over the decades has shown that neither they nor Wall Street are necessarily to blame for anything less than a growth in giving.

<sup>1</sup> Association of Fundraising Professionals (April 3, 2006). Nearly two-thirds of U.S. and Canadian charities raised more funds in 2005. Association of Fundraising Professionals. <http://www.afpnet.org>.

### **Fundraising Rules to Live by in *Any* Economy:**

1. People give to people (it's as simple as that).
2. Are you out meeting people so when it's time to ask, they'll be ready? Are you thinking like a donor? What do they want to know about you? It's great time for proof-of-performance communication.

3. Value and foster existing donors above and beyond new ones. When was the last time you thanked those who have made living your mission possible?
4. Focus on the organization and its needs. How recent is your strategic plan? When was the last time you determined your strengths, problems, opportunities and threats?
5. Be proud of the work you do and the cause it's for. It's a great time to build the skills of your staff and board.
6. Keep asking. You must continue with your mission and there are donors who wish to give to you. Provide them the opportunity—but ask softly.